



THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■

## **The problem with the Corbyn-McDonnell regional policy - and where to look for lessons**

**LSE Research Online URL for this paper:** <http://eprints.lse.ac.uk/103891/>

Version: Published Version

---

### **Online resource:**

O'Shea, Jerry (2020) The problem with the Corbyn-McDonnell regional policy - and where to look for lessons. British Policy and Politics at LSE (06 Jan 2020), 1 - 2. Blog Entry.

---

### **Reuse**

Items deposited in LSE Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the LSE Research Online record for the item.

# The problem with the Corbyn-McDonnell regional policy – and where to look for lessons



***Jerry O'Shea** writes that, on regional issues, Labour's economic agenda under Corbyn was little more than big numbers. He compares recent pledges with how New Labour sought to offer power and economic development prospects to English regions.*

Perhaps the only issue on which everyone in the Labour Party currently agrees is that the next leader has to be capable of winning back seats above the north-south divide. The election campaign autopsy has been focussed on Labour's strategy of prioritising appealing to potential defectors to the Liberal Democrats over appeasing Leavers. Yet digging beneath the Brexit issue, Labour's 'radical' economic agenda was, on regional issues, little more than big numbers. Concrete proposals to the 'left behind' regions were particularly thin on the ground.

When you study the Corbyn-McDonnell economic plan with an eye to places rather than people (for example, fiscal plans or improvements to means-tested and universal services), and particularly when you compare this to the regional project of their much-scorned New Labour predecessors, it is clear that the problem with the geographical dimension of their platform was not that it was too radical, but not radical enough.

Of course, the shadow government did offer something to those above the north-south divide. Amidst the leadership challenge to Corbyn in 2016, the shadow chancellor, John McDonnell, used a speech in Sunderland to announce that a Labour government would mobilise £500bn through a National Investment Bank operating 'on the same conservative leverage ratio as the European Investment Bank,' requiring a staggering '[£250bn of government funding](#).' These figures were quickly deemed unfeasible, and the figure was halved in the [2017 manifesto](#).

By the [2019 manifesto](#), an additional £400bn was pledged via a Social Transformation Fund (£150bn spent over five years) and a Green Transformation Fund (£250bn over ten years). Attempting to woo northern voters in early November, McDonnell—speaking '[just down the road](#)' from where his father worked on the Liverpool docks—announced the Social Transformation Fund would be administered by a new branch of the Treasury in the North. A plan to transfer part of Treasury to the North hardly supported McDonnell's claim that "[the centre of political gravity is \[...\] coming back home to the north](#)," nor did the name—National Transformation Unit of the North—have the rhetorical force of the Tories' Northern Powerhouse. This plan also conflicted with a [report](#) from 2018 that the National Transformation Fund would be headquartered—along with the Bank of England and the National Investment Bank—next to Birmingham Main Street station.

The 2017 manifesto stated that a Constitutional Convention would 'look at extending democracy locally, regionally and nationally, considering the option of a more federalised country'. Despite this, and the Labour Party being organised into nine regional branches, regional autonomy was not a well thought out part of the Corbyn-McDonnell agenda.

It was no surprise when Labour's [Regional Manifestos](#) were largely ignored upon their release on 29 November. The Spectator was not unjustified in calling these mini documents '[cut and paste](#)' jobs. Entire sections were cut and pasted across all the documents, with no more than one or two specific place-based projects named in each manifesto. Only the 'Manifesto for London' featured a personalised section (a foreword by Sadiq Khan). Besides, the few specific projects that were proposed seemed to have not cut through to voters. For example, despite pledging a fabrication yard and quayside at Killingholme, just outside of Grimsby, the Tories stole Great Grimsby by gaining 12.7% of the vote share, corresponding to Labour losing 16.7%. Nor did proposed steel recycling plants at Redcar and Workington prevent either of those former Labour seats falling decisively to the Tories.

A Green Transformation Fund policy paper of November 2019 gave the Midlands Mainline and the East-West 'science valley'—primarily linking Oxford and Cambridge—as examples of improving 'regional rail services'. While support was given to Crossrail for the North, Johnson had already promised £39bn for the project in July. One genuinely distinct feature of the Corbyn-McDonnell regional policy was the backing of tidal power projects in Swansea and Merseyside, and while these are both heartlands and there are many more complex dynamics at play, it is nonetheless interesting to note that all constituencies in these areas remained red after the election, despite considerable Brexit Party surges in both.

McDonnell's mid-election vow that Labour would "govern for the whole of Britain" was a more accurate statement than he perhaps intended. The platform indicated that power would reside, more or less equally across the country, at the national and local levels, rather than with particular regard to a regional dimension. An exception might be Corbyn's indication that he would restore regional Government Offices, but these plans were never fleshed out. The single, brief mention of this policy in the 2019 manifesto was a reflection of how difficult it would be to arouse excitement or even support for bodies that were—when they existed in the 1990s and 2000s—seen by business communities and the public as yet another layer of civil service bureaucracy. In another example, McDonnell's proposed Regional Development Banks were not even to be [legally separate](#) from the National Investment Bank.

Looking past the very important but obvious point that Corbyn and McDonnell were promising a *lot* more money than New Labour, the latter built substantially on a long history of regionalism in the Labour Party. With roots in Norman Crowther Hunt and Alan Peacock's 1973 [recommendation](#) to establish seven regional assemblies, the idea of meaningful regional devolution was nurtured under Kinnock and Blair with reports and investigations into regional economic autonomy by John Prescott (*Alternative Regional Strategy* 1982, *Renewing the Regions* 1996). Meanwhile, Jack Straw (*A New Voice for England's Regions* 1996) recommended expressly *political* devolution to the English regions.

Prescott and Straw's visions were realised in Blair's constitutional reforms, with the Regional Development Agencies Act 1998 establishing eight such bodies outside of London. The Agencies received staff, funds, and executive powers from a vast number of quangos and the Government Offices of the Regions. Overseen by various government departments, the regional Agency chiefs had regular meetings in Whitehall with ministers including Prescott, Brown, and Blair. Initially given power over labour markets and business development, as the Agencies went from success to success, they were gradually given Single Pots (non-ring-fenced budgets) and additional powers to influence regional planning, infrastructure, health and transport. At times they veered dangerously close to breaching EU state aid rules, and Brown even had to [defend](#) the Agencies against the EU Commission in 2007. The 1998 Act also established Regional Assemblies, though the latter were less successful and influential than the Development Agencies.

Prescott, Straw, Ed Balls (from 2005), Richard Caborn, Blair himself, and others at the heart of New Labour's regional project all represented constituencies in the north. Yet the lesson to draw from the Corbyn-McDonnell campaign is not so much that the Labour Party needs a northern leader (Blair was categorically not that), but that it needs to think far more deeply about how it can offer tangible power and economic development prospects to regions above the north-south divide.

---

## About the Author



**Jerry O'Shea** is a PhD candidate at the University of Cambridge, working on New Labour's political economy. His thesis focuses on John Prescott's super-ministries and their interventions in regional economies.

*All articles posted on this blog give the views of the author(s), and not the position of LSE British Politics and Policy, nor of the London School of Economics and Political Science. Featured image credit: ["UK topo"](#) by [Leon Wilson](#) is licensed under [CC BY 2.0](#)*